

## Message Text

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PAGE 01 GENEVA 12395 01 OF 02 141337Z  
ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12  
NEA-10 AGR-01 L-03 FRB-03 OMB-01 ITC-01 SP-02  
ICA-11 AID-05 CIAE-00 COME-00 INR-10 LAB-04  
NSAE-00 OIC-02 SIL-01 OPIC-03 STR-07 TRSE-00  
CEA-01 SS-15 XMB-02 /146 W  
-----087626 141401Z /47

R 141241Z AUG 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC 3156  
INFO USMISSION USUN NEW YORK

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 12395

E.O. 11652: N/A  
TAGS: EFIN, EAID, UNCTAD  
SUBJECT: UNCTAD: WRAPUP OF MEETING OF EXPERTS ON FINANCE  
FOR DEVELOPMENT

REFERENCE: (A) GENEVA 12267; (B) STATE 201375

1. SUMMARY: THE LAST TWO DAYS OF THE MEETING, AUGUST 10-11, WERE DEVOTED TO THE DISCUSSION OF DRAFT REPORTS ON THE TWO SUBSTANTIVE AGENDA ITEMS: A) GUARANTEE POWERS OF EXISTING INTERNATIONAL FINANCIAL INSTITUTIONS AND THEIR POSSIBLE ENLARGEMENT AND B) THE FEASIBILITY AND DESIRABILITY OF ESTABLISHING A MULTILATERAL INSURANCE AND RE-INSURANCE AGENCY. AFTER MUCH DEBATE ON THE INITIAL DRAFTS IT BECAME CLEAR THAT THERE WERE BROAD DIVISIONS ON BOTH TOPICS AND THAT IT WOULD BE IMPOSSIBLE TO REACH DEFINITIVE AGREEMENT. PROCESS THEN BOILED DOWN TO HOW MUCH OF EACH OTHER'S ARGUMENTS EXPERTS WERE PREPARED TO SEE INCLUDED IN THE REPORT. RESULT WAS A FAIRLY BALANCED SUMMARY OF THE DISCUSSION ON BOTH ISSUES WITH ONLY MOST GENERAL CONCLUSIONS.

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PAGE 02 GENEVA 12395 01 OF 02 141337Z

2. GUARANTEE POWERS. THE GROUP CONSIDERED THAT A) FACILITY FOR GUARANTEEING LDC BOND ISSUES WAS DESIRABLE, BUT LEFT OPEN THE FORM OF SUCH A FACILITY, THE IMPLICATION CLEARLY BEING THAT IT SHOULD BE WITHIN EXISTING INSTITUTIONS. SOME EXPERTS (LDCS) INSISTED THAT THIS WOULD REQUIRE ADDITIONAL FUNDS BUT OTHER (FROM GROUP B AND SOME LDCS) BELIEVED THAT ADDITIONAL RESOURCES SHOULD NOT BE PROVIDED UNTIL THEIR

NEED HAD BEEN ESTABLISHED AND THAT ANY DISCUSSIONS SHOULD BE HELD IN THE APPROPRIATE INSTITUTIONS INVOLVED, SUCH AS THE DEVELOPMENT COMMITTEE. ON THE QUESTION OF GUARANTEEING COMMERCIAL BANK LOANS, THE GROUP WAS UNABLE TO REACH ANY CONCLUSION. SOME EXPERTS CALLED FOR FURTHER STUDY OF THE TECHNICAL DETAILS OF SUCH A PROPOSAL WHILE OTHERS (GROUP B, SOME LDCS) FELT THAT THIS SHOULD NOT BE DONE. ALTHOUGH REFERENCE WAS MADE TO THE ZOLOTAS PROPOSAL ON THIS MATTER, THERE WAS NO ATTEMPT MADE TO ENDORSE IT AND THE DISCUSSION OF ITS PROS AND CONS WAS BALANCED. A FINAL TOPIC OF DISCUSSION WAS THE AMOUNT OF ADDITIONAL PRIVATE FLOWS TO LDCS WHICH WOULD BE GENERATED BY THE USE OF MULTILATERAL GUARANTEES. THERE WAS GENERAL AGREEMENT THAT GUARANTEES WOULD PROVIDE SOME ADDITIONAL FLOWS AND THAT IN SOME CASES PARTIAL GUARANTEES, EITHER IN THE SENSE OF THE AMOUNT OR PROPORTION OF RISKS COVERED, WOULD BE PARTICULARLY EFFECTIVE.

3. MULTILATERAL INSURANCE OR REINSURANCE AGENCY. ALTHOUGH ISSUE WAS CLEARLY OF SECONDARY IMPORTANCE TO UNCTAD SECRETARIAT AS REFLECTED BY ORGANIZATION OF MEETING AND RELATIVE DEARTH OF KNOWLEDGEABLE EXPERTS, THE EXPERT GROUP PRODUCED A DOCUMENT AFTER LIVELY DISCUSSIONS. DOCUMENT REFLECTS STRONG DIVISION IN GROUP BETWEEN THOSE THAT BELIEVE A MULTILATERALIZATION OF INSURANCE WOULD INCREASE LDC PRIVATE INVESTMENT FLOWS AND IMPROVE THE DEVELOPMENTAL QUALITY OF LIMITED OFFICIAL USE

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PAGE 03 GENEVA 12395 01 OF 02 141337Z

INVESTMENT (LARGELY EXPERTS FROM CAPITAL EXPORTING COUNTRIES WITH LIMITED LDC SUPPORT) AND THOSE STRONGLY OPPOSED TO ANY MULTILATERALIZATION THAT WOULD INCLUDE LDC MEMBERSHIP IN AN INSURANCE FACILITY (ALMOST ENTIRELY EXPERTS FROM LDCS). (SOME LDC EXPERTS SEEMED TO OPPOSE ANY MULTILATERAL INSURANCE WHILE OTHERS FAVORED HARMONIZATION OF EXISTING NATIONAL PLANS). THE DOCUMENT STATES THAT THOSE FAVORING EXAMINATION OF A MULTILATERAL AGENCY ADVOCATE THE ESTABLISHMENT OF A SMALL GROUP OF TECHNICAL EXPERTS TO CONSIDER SUCH IMPORTANT DETAILS AS (1) VOTING RIGHTS; (2) ECONOMIC STRUCTURE, INCLUDING PREMIUMS AND CAPITAL CONTRIBUTION; (3) LEGAL ASPECTS SUCH AS SUBROGATION AND DISPUTE RESOLVING MECHANISM; (4) MANAGEMENT AND (5) RELATIONSHIP WITH OTHER INTERNATIONAL AGENCIES. IN OTHER WORDS, ALL DETAILS AS TO ISSUES THAT HAVE PROVED TO BE STICKING POINTS IN THE PAST HAVE BEEN LEFT FOR FURTHER REVIEW. US EXPERT MADE POINTS ADDRESSED IN REFTTEL AND BELIEVES RESULTS OF MEETING ARE IN ACCORD WITH HOPES EXPRESSED BY DEPARTMENT. HOWEVER THE COMBINED EFFECT OF SEVERE DIVISIONS IN EXPERT GROUP AND PERCEIVED LACK OF ENTHUSIASM BY UNCTAD SECRETARIAT MAKE IT UNLIKELY THAT THERE WILL BE ANY SERIOUS EFFORT TO ESTABLISH A MULTILATERAL AGENCY.

4. COMMENT. PART OF THE REASON FOR THE LACK OF SPECIFIC RECOMMENDATIONS WAS THE HAPHAZARD WAY IN WHICH THE GROUP'S CHAIRMAN HANDLED THE ORGANIZATION OF THE MEETING. ALTHOUGH THIS FRUSTRATED OUR DESIRE TO HAVE A MORE THOROUGH DISCUSSION OF THE MULTILATERAL INSURANCE/RE-INSURANCE AGENCY, IT ENHANCED THE WILLINGNESS OF THE DELEGATES TO ACCEPT A BALANCED REPORT, IF ONLY TO ESCAPE FROM THE MEETING MORE QUICKLY. AN INTERESTING ASPECT OF THE MEETING WAS THAT DELEGATES DID NOT DIVIDE ALONG RIGID G-77/GROUP B LINES. FOR EXAMPLE, THE ECUADOREAN EXPERT (DR. EMANUEL, DIRECTOR, CENTRAL BANK OF GUAYAQUIL) PRESENTED SOME OF THE MOST CONVINCING ARGUMENTS OPPOSING SCHEMES TO GUARANTEE COMMER-

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PAGE 01 GENEVA 12395 02 OF 02 141338Z  
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LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 12395

CIAL BANK LOANS TO LDCS OR PRIVATE BOND PLACEMENTS AND IN THE FINAL DRAFTING SESSION WHEN THE US EXPERT REMAINED AS SOLE REPRESENTATIVE OF GROUP B COUNTRIES, PHILIPPINES EXPERT (MR. LEUNG, ALTERNATE EXECUTIVE DIRECTOR FOR THE IMF) SUPPORTED ADOPTION OF US SUGGESTED LANGUAGE ON MULTILATERAL GUARANTEES. DETAILED NOTES OF MEETING AND DOCUMENTS BEING HAND-CARRIED TO WASHINGTON BY JONES. UNCTAD SECRETARIAT HAS TOLD US THAT EXPERTS REPORT WILL BE APPENDED TO ANOTHER REPORT WHICH THE SECRETARIAT WILL SUBMIT TO THE UNGA, AS CALLED FOR IN RESOLUTION 32/177. SORENSON

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## Message Attributes

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